

Innovation as the Key Competitive Advantage¹

Inovácia ako konkurenčná výhoda

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Abstract

The purpose of the paper is to critically review modern concepts of innovation and on this basis to outline a comprehensive definition based on system approach. The research methodology contains the method of abstraction, systemic methodology, method of induction. In the context of the philosophical approach, innovation is a phenomenon that forms new quality of life. From the standpoint of economics, innovation can be considered as a new resource, lever of production. From the standpoint of management, we consider innovation as a competitive advantage that ensures the mastery of strategic leadership positions. Institutional and cultural view of innovation defines them as phenomena aimed at human development. Innovation concentrates in itself the processes of convergence of an idea into its commercial content with the help of technological, product, marketing and other transforming the idea and business transformations.

Key words:

innovation, competitive advantage, system approach

JEL Classification: O31

Abstrakt

Účelom článku je kriticky zhodnotiť moderné koncepcie inovácií a na tomto základe načrtnúť komplexnú definíciu založenú na systémovom prístupe. Metodika výskumu obsahuje metódu abstrakcie, systémovú metodológiu, metódu indukcie. V kontexte filozofického prístupu je inovácia jav, ktorý vytvára novú kvalitu života. Z hľadiska ekonomiky možno inováciu považovať za nový zdroj, páku výroby. Z hľadiska riadenia považujeme inováciu za konkurenčnú výhodu,

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ktorá zabezpečuje ovládnutie strategických vedúcich pozícií. Inštitucionálny a kultúrny pohľad na inovácie ich definuje ako javy zamerané na ľudský rozvoj. Inovácia sama o sebe sústreďuje procesy konvergencie myšlienky na jej komerčný obsah pomocou technologických, produktových, marketingových a iných transformácií myšlienky a obchodných transformácií.

Kľúčové slová:

inovácia, konkurenčná výhoda, systémový prístup

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Introduction

The importance of innovation increases in connection with the transition of the economy to an informational and at the same time innovative basis, that is, to the conditions of functioning when the main resource and main product is information or new knowledge. Under these conditions, there is a significant complication of the content and interaction of all processes of human life. New value orientations appear that make philosophical reflection necessary. Innovation can serve for the benefit of humanity or to the detriment even though it benefits a particular producer. In this case, there is a need to study whether in this case innovation is a competitive advantage and which worldview platform underlies the definition of competitive advantage. An innovative society significantly changes the economic basis of entrepreneurship, increasing its effectiveness and risks at the same time. The information and innovation economy brings new challenges to the management system, radically changes the methods of motivating a person as the main generator of new information and new knowledge. And of course, the issue of new institutions and, in particular, a new culture as an integrator of all the above components of the innovation and information economy becomes very relevant due to the following reasons: protection of intellectual property, a culture of support for innovators, a development culture that follows the principle of “do no harm”.

The understanding the importance of the essence of innovations allows to determine which levers should be activated for their production, to assess the possible consequences of practical application, to explore the prospects of their use in various spheres of life, etc.

Innovation is the basis of future competition, due to the fact that it gives the owners of innovation or its users advantages in time, efficiency and novelty. It is innovation that determines the future, and who can produce and sell it - masters the future.

All this led to the expediency of considering the meaning content of innovation and their systemic manifestation and as a category of competitiveness theory and a practical lever for building an innovative economy.

1. Methodology

The research methodology contains the method of scientific abstraction, which allows to move away from the insignificant features of the phenomenon of innovation under study and knowledge of it by identifying the main, most important aspects. This method allowed us to identify four approaches to innovation (philosophical, managerial, economic and institutional-cultural), abstracted from all the secondary and insignificant. Abstraction, in turn, allows the use of systemic methodology, which considers innovation as a systemic phenomenon capable of exerting a systemic impact on the world around. The system approach allows to reveal the structural internal of the phenomenon of innovation, to show its elements and interaction between them, to investigate complex processes of creation of innovation and transformation of idea into innovation. The method of induction is a transition from individual to general, from a single perspective to determine the essence of the phenomenon as a whole. Induction leads to the understanding meaning content of the holistic understanding of innovation.

The method of monographic research was aimed at studying the main theoretical positions presented by the European, Ukrainian and Russian authors. The problem of innovation and its role in economic development is studied by J. Bessant (2017), which describes the types and importance of innovation innovations; D. Ammolochitis (2017), which opens the process of innovation; M. Krošláková, V. Kubičková, L. Jurkovičová (2015) show the importance of innovation for fast-growing companies; L. Myler (2014) discusses recent proposals that the basis of innovation is the desire to solve the problem; N. Kubiniy and her colleagues (2017) shows the importance of innovation for the formation of competitiveness strategies and soon.

Based on the above, the purpose of this study is to highlight the essence of innovation from the standpoint of a systems approach and as a phenomenon that is a product of convergence of business and scientific creativity; and it serves as a lever for the formation of competitive advantage.

2. Results and Discussion

Innovation is the center of scientific interest of a wide range of researchers, most of whom see innovation as a new value. So, prof. John Bessant, (2017) argues that “Innovation means creating
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value from ideas. While a lot of interest is in commercial value, a lot can be done with social value. For the Red Cross, creating social value is a case of life and death, and while it's not creating lots of money, it's creating real value from ideas, such as simple low-cost hygiene products to avoid sanitation-linked infection.” [3] This point of view disperses, breaks down the content of the innovation and does not allow to determine its identification from different positions. In this case, we are witnessing a confusion of the concepts of novation and innovation. Innovation is considered to be a category of market economy, for which the receipt of commercial benefits is an indispensable condition. Therefore, it is possible to distribute innovations in the social sphere conditionally.

Dionysis Ammolochitis (2017) declares that “innovation comes from great ideas and transforming those ideas into reality. However, according to new research, true innovation starts with the heart ... It's about more than just simply thinking up a workable solution to an already-existing problem. It's about foresight and forward thinking. It's about thinking up ways in which to improve something before anyone even notices that the improvements are necessary. It's about thinking bigger without being forced to. And, most importantly, it's about inspiring your employees to work with you to come up with these creative innovations. It is this ability to inspire that proves innovation starts with the heart. If you are passionate about making a change, your team will be too”. [2] This point of view also contributes to the understanding of the complexity of creating innovations, the role of staff in understanding the need for innovation. However, the essence of innovation remains out of the author's attention.

Monika Kroslovakova (2015) and her associates consider innovation as a factor in the formation of "gazelles", which in turn are the engines of economic development [4], while the innovation itself as an engine remains out of the authors' attention.

Natalia Kubiniy, Roman Zavagyak and Milan Bilen (2019) show as innovation the organizational triumvirate of economics, culture and tourism [5]; Olena Puljanovich and Tamila Kosovilka (2017) and the role of innovation in creating a management strategy [14], but the content of innovation as a defining message of innovation, innovative entrepreneurship and innovation management is not disclosed. Identifying the essence of innovation allows to improve the organization of innovative business based on the understanding of innovation as a subject of activity and as a business goal.

A number of authors argue that innovation is a solution to certain problems, which also does not reveal the essence of this phenomenon. We agree with Larry Myler (2014), who counteracts this approach: “If embraced in an orderly fashion — meaning, if the innovator is discriminating about which problems to take on and how solutions should be crafted and applied — this first level

of innovation can be both powerful and prolific. However, the sometimes frenzied, stimulus-response nature of this style of innovation can often limit people to lower-value contributions. We all know co-workers who spend most of their time putting out fires, which is not necessarily a bad thing (fires can do a lot of damage), but the danger of constantly dealing with the urgent, at the expense of the important, is obvious. Joe Randolph, CEO of the Innovation Institute in La Palma, California, observes, "Problems do create the necessary urgency to innovate, but they can also overwhelm. In my experience, more than 90% of employees are fixed on dealing with day-to-day workload and emergencies, rather than looking toward the future. » [6] The problem, of course, can be the impetus for innovation, but research and practice show the heuristic nature of many ideas that lead to their commercial implementation.

Ekaterina Danilkova (2017) considers the essence of innovation rather limitedly: "Under the invention, we mean a new technical solution. An innovation is the initiation of the idea of innovation as a way out of intellectual activity, i. e., a new product, a new method, a new solution. By innovation author implies innovation, i.e. an invention or innovation after the commercialization process, demanded and implemented - introduction to the market, has successfully sold and which brought a profit." [1]

These approaches do not reveal the essence of innovation, the definition of which can be given from different positions and is of great importance, says Nimal Jayaratna (2008): "The primary role of a definition is to help clarify our thinking, as we will show in our examples. The clarification helps to reduce inefficiency (stops us from wasting resources pursuing the same path under a different label, i.e., recycling of ideas) and increase effectiveness (reach goals, i.e., achieve breakthroughs). In this way, companies, individuals, teams and the society are able to recognize the limitations or break-through of their efforts, and recognize and explore alternative ways of achieving their aspirations. The definition of terms used in research is critical as it helps to clarify communication and avoid the misuse of emerging terminology that leads to considerable confusion and wastage of resource." [7]

The main drawback of existing views on innovation is the lack of a categorical approach, consideration of the essence using the definition, the importance of which is emphasized by Nimal Jayaratna (2008), which announces that «the primary role of a definition is to help clarify our thinking, as we will show in our examples. The clarification helps to reduce inefficiency (stops us from wasting resources pursuing the same path under a different label, i.e., recycling of ideas) and increase effectiveness (reach goals, i.e., achieve breakthroughs). In this way, companies, individuals, teams and the society are able to recognize the limitations or break-through of their efforts, and recognize and explore alternative ways of achieving their aspirations. The definition

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We consider innovation as a value, the content of which can be considered from the standpoints:

1. Philosophical perspective. The study of the theoretical content of innovation allows us to define it as a phenomenon that falls into the category of development, despite the fact that "in philosophy there are two views on the state and development of the world: dialectical and metaphysical.

Dialectics believe that all objects and phenomena are interconnected, moving, evolving; development they understand as a qualitative transformation of some things and phenomena into others, as the destruction of the old and the assertion, the development of the new. From the point of view of the metaphysical method, both in nature, and in society, and in the spiritual sphere, objects, processes, and phenomena exist in isolation, without mutual organic connection. Although there are some changes in them, they, however, do not lead to a qualitatively new. The source of change in metaphysics is considered to be an external shock or collision of various objects.” (Данильян О. Г., Таряненко В. М., 2003). [12]

In our opinion, there are two shortcomings in this statement.

- First, development can be uncontrollable, as is the case in synergetic systems;
- secondly, in the definition there is no such feature of development as the transition of the object to a higher level of functioning, ie, mastering qualities that were absent in the past and allow to perform new functions for the object of development.

More scientifically substantiated and meaningful is the statement of Szegeda S. (2018) that “as a philosophical category development reflects the systemic process of infinity and continuity of natural qualitative changes occurring in the natural environment and society under the action of objective laws of nature and society, which are the law of unity and the struggle of opposites, the law of negation of negation, the law of equilibrium, the law of the transition from quantity to quality”. [18]

In this definition, development acquires such qualities as:

- systematic;
- qualitative changes;
- result of the influence of the laws of dialectics.

Danilyan O. (2012) expands the range of features inherent in the development as follows. The author argues that “the development is characterized by the following features (they are what distinguish it from the phenomenon of movement):

- a) direction in time - from the past through the present to the future;
- b) the irreversibility of the process, ie real objects, changing phenomena are unique in their individual features;
- c) the emergence in the process of development of a new, ie something that did not exist before;
- d) the natural nature of development, its subordination to certain laws. [10]

Based on the above philosophical postulates, innovation is recommended to be considered as an immanent development phenomenon, which has the following features:

- systematic (innovation covers several areas of life: technical, cultural, social, institutional, economic, etc.) As evidenced by the OSLO Recommendations, "Innovation is central to improving living standards and can affect people, institutions, entire economic sectors and countries in different ways." [5] Yes, communication innovations increase the speed of communication, which has a great economic effect, provide new technological opportunities that improve people's quality of life, form a new culture of communication, etc.
- novelty (innovation involves a technology or product that has mastered new, non-existent functions in the past);
- value for human development.

Thus, in the context of the philosophical approach it is expedient to consider innovation as a phenomenon that has a systemic effect, presupposes novelty, forms cultural and institutional norms of life, plays a dualistic role: it is a consequence of development as an impulse, a source of further transformations.

As a result of development, the innovation takes the form of a competitive advantage of the society, region or enterprise, which owns and uses this innovation.

2. **From the point of view of management**, there are many perspectives on innovation, which include the view of innovation as an object of management and production; it is also possible to consider innovation from the standpoint of knowledge diffusion and idea management or, for example, from the point of view of knowledge management, etc. In this study, we will focus

on innovation as a competitive advantage due to the following argument. To form competitiveness, it is necessary to create a set of competitive advantages, one of which is innovation and activities for its production. "Competitive advantage is the economic relations of economic entities, which are manifested in the advantages over competitors in the market in the existing conditions of the environment. It is competitive advantage that ensures competitiveness. "(Миргородская Е. О., 2005). [15]

Competitive advantage is both a simple and a complex phenomenon, the understanding of which helps to build systemic competitiveness. Systemic competitiveness means a state of an economic entity in which a) the entity successfully competes with competitors; b) all elements of the system work for success; c) competitiveness consists of competitive advantages that are elements of the system and combined into a system, their interaction enhances the activity and effectiveness of other elements and the system.

The managerial perspective on innovation allows us to determine its functions in the formation of competitive advantages, which include the following:

- the function of participation in the strategic management of the business, region, economy of the country as a whole and the formation of the strategy accordingly. Each strategy has its own life cycle and the stage of dying off relevance. It is innovations that allow us to move from linear strategies to matrix, multicomponent, systemic ones, leveling the possibilities of strategy decline and strategic management as a consequence;
- the function of stimulating all participants in the further development of the economic entity. In this case, it is possible to cite teleology as an argument with its postulate of purpose as a motivator of action. Innovation as a goal contributes to improving the organizational structure, technological basis, improving the quality of the workforce, etc. Focus on innovation mobilizes endogenous factors of the economic actor, which brings synergy to development;
- the function of forming new institutions. An example of the fulfillment of this function is the institution of trust, which is much higher in high-tech types of business focused on innovation than in traditional ones. Innovative activity is very difficult to control, which is understood by all participants in the process;
- the function is the activation of cash flows and their selective orientation:
 - a) to science,
 - b) to science and innovation, or
 - c) only to innovation.

As you know, there are two models of innovative development. The first is aimed at creating new knowledge within the enterprise or the national economy and, based on the results of our own research, to develop innovative production. The second model is called adaptive and attracts new ideas from the outside or ready-made innovations. Contemporaries argue which model is preferable, and such a statement is not legitimate. The choice of a particular model of innovative activity, the formation of innovative systems in countries and regions depends on many factors that operate in a particular economic entity. And this is primarily financial opportunities, the effectiveness of financial management, financial stability, etc.

Thus, from the standpoint of management, we consider innovation as a competitive advantage that ensures the mastery of strategic leadership positions in the business environment, which creates systemic requirements for management (personnel, technology, product, marketing, etc.) and fulfill definite functions, which lead to managerial excellence.

3. From the standpoint of economics, innovation can be considered as a fundamentally new resource, lever, method of production or provision of services, which eliminates the factor of limited resources and increases productivity, increase profitability.

Ivanova N. (2001) presents an economic perspective on innovation and innovation determines that «The correlation of results and costs, predetermining the implementation of innovation, occurs in the following situations:

- supply and demand are equal - the source of profit is the reduction in the cost of production, and innovation is used at an insufficient level from the point of view of enterprises receiving profit;
- increase in aggregate demand over supply, leading to the involvement of reserves and innovations in production, the growth of additional costs, which are covered by the increase in production volumes;
- demand is lower than supply - prices and funds for innovation are reduced, obsolete (inefficient) factors of production are withdrawn from circulation; the achieved profit level is held only by reducing costs.“ [13]

In addition, innovation plays an important role in reducing production costs, both time and material costs, which increases the efficiency of the entire economic system. Thus, innovation becomes a resource, a lever, a way to form a competitive advantage of the economic system.

4. In the institutional and cultural plane, innovation can be considered as a competitive advantage due to the following argumentation. Society with its culture creates a certain environment that can support or, conversely, inhibit creative, creative activities, the development of individuals or groups. At the same time, it is impossible to agree with Shane S.'s position (1992) in the article on the abilities of different societies with different attitudes and cultures to innovate: "Individualistic societies must be more resourceful than collectivist ones. Individualistic societies value freedom more than collectivist societies, and freedom is necessary for creativity...The support of older people in organizations is necessary for innovation to take place, and people in individualistic societies are more likely to turn to this support. Finally, the psychological characteristics of independence, achievement, and inconsistency that have been identified to stimulate innovation are increasingly common in individualistic societies." [9] It should be noted that this message is replaced by the modern experience of many countries, including hierarchical countries such as Japan, China, the United Arab Emirates, whose products are innovative and have a competitive advantage.

Greater influence on innovations, their development and implementation is influenced not by the architecture of culture, but by the goals and values, which in this culture are determined by the basic ones.

Convergence is a process of merging of existing phenomena, products, ideas, qualities. Entrepreneurship from these positions can be considered as a convergence of existing qualities into new ideas, which in the process of their commercialization are transformed into innovations.

The proposed concept of innovative entrepreneurship as convergence is based on the theory of Ross Ashby (1957), who, studying cybernetics as a basis for management, proved that «the most fundamental concept in cybernetics is that of “difference”, either that two things are recognisably different or that one thing has changed with time. ... So our first task will be to develop this concept of “change”, not only making it more precise but making it richer, converting it to a form that experience has shown to be necessary if significant developments are to be made.” [10]

It is worth noting that convergence is most effective in small business, due to the fact that "new technologies are easiest to introduce and manage in small businesses, due to ease of management, small amount of resources." (Мікловда В., Ступко А., Брітченко І., Кубіній Н., 2012). [17]

Convergence takes place in various areas of business. For example, marketing convergence can combine different types of demand, forming demand for new quality products. (Мікловда В., Кубіній Н., Шандор Ф. та ін., 2009). [16]

Innovation is at the core of a radical competitive advantage system. It concentrates in itself the processes of convergence of an idea into its commercial content with the help of technological, product, marketing and other transforming the idea and business transformations. In addition, innovation includes a philosophical component that defines the mission, the role of innovation in the development of mankind.

Thus, innovation as a systemic phenomenon, including philosophical, managerial, economic and institutional-cultural components, is the result of product, resource, administrative, business convergence that occurs in the process of entrepreneurial activity; and with the assistance of the state, innovation is becoming a key competitive advantage.

Conclusions

Diversification of views on innovation allows not only to look at the phenomenon from different angles, but also to identify its diverse and systematic content, which in turn enables the national economy, enterprises or individual innovators to create innovations to produce and use better and more efficient.

Innovation was considered in the context of philosophical, economic, managerial, institutional and cultural burden.

In the context of the philosophical approach, it is recommended to consider innovation as a phenomenon that has a systemic effect, implies the presence of novelty, forms the cultural and institutional norms of life, is a consequence of development as an impetus, a source of further transformation.

From the standpoint of economics, innovation can be considered as a fundamentally new resource, lever, method of production or provision of services, which eliminates the factor of limited resources and increases productivity, increase profitability.

Thus, from the position of management, innovation is a competitive advantage that ensures the mastery of strategic leadership positions in the business environment.

Institutional and cultural view of innovation defines them as phenomena aimed at human development by solving economic, social, managerial problems. Innovative culture, at the center of which is innovation, forms values, behavior in society, attitudes to creativity, support for innovative entrepreneurship. An important component is to increase the level of trust as an institutional norm and at the same time the economic lever to reduce transaction costs.

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